

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 NEA-10 NIC-01 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01

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R 100850Z SEP 73

FM AMEMBASSY PRAGUE

TO AMEMBASSY NEW DELHI

INFO SECSTATE WASHDC 5054

AMEMBASSY BUDAPEST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

C O N F I D E N T I A L PRAGUE 2127

E.O. 11652: GDS

TAGS: ETRD, CZ, IN, UR

SUBJECT: STUDY OF INDO/EAST EUROPEAN TRADE/AID RELATIONS

REF: (A) NEW DELHI 9465

1. SWITCH TRADING, ACCORDING TO KNOWLEDGABLE CZECHOSLOVAK FOREIGN TRADE SOURCE, HAS IN RECENT YEARS DECLINED IN FAVOR OF BARTER TRADE DEALS AS WIDE SWINGS IN CZECHOSLOVAK TRADE BALANCES WITH SOFT-CURRENCY TRADING PARTNERS HAVE BEGUN TO DAMPEN. FOR EXAMPLE, FIVE TO TEN YEARS AGO, CZECHOSLOVAKIA WAS REGULARLY INVOLVED IN SWITCH TRADING (BOTH WAYS) AS A RESULT OF LARGE AND PERSISTENT SURPLUSES OF SOFT CURRENCY WITH MORE THAN TWENTY TRADING PARTNERS IN AFRICA, NEAR EAST AND SOUTH ASIA. TODAY, SWITCH TRADING OCCURS AS A RESULT OF TRADE WITH ONLY ELEVEN OF THESE COUNTRIES AND ALTHOUGH TRADE WITH INDIA REMAINS ONE OF LARGEST STIMULANTS

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TO SWITCH DEALS EVEN THIS ACTIVITY IS MUTED FOR MONTHS AT A

TIME IN CZECHOSLOVAKIA'S TRADE WITH INDIA. IN 1970, CZECHOSLOVAKIA EXPORTED 270 MILLION CZECH CROWNS WORTH OF GOODS TO INDIA, AND IMPORTED GOODS WORTH 26.2 MILLION CROWNS.

2. CZECHOSLOVAKIA IMPORTS MAINLY RAW MATERIALS (E.G., JUTE AND JUTE PRODUCTS) FROM INDIA, AND EXPORTS MACHINERY AND INDUSTRIAL EQUIPMENT IN RETURN. A TENDENCY ON PART OF INDIANS TO RESORT TO SWITCH TRADING WAS RECOGNIZED BY OUR SOURCE, WHO INSISTED, HOWEVER, THAT THIS ACTIVITY HAD CAUSED NO EMBARRASSMENT OR DIFFICULTIES FOR CZECHOSLOVAK GOVERNMENT IN ITS RELATIONS WITH GOI. (HE DID ALLUDE AT ONE POINT TO DEAL INVOLVING HEAVY US MACHINERY ON WHICH CERTIFICATE OF ORIGIN WAS TO HAVE BEEN ALTERED TO SATISFY INDIAN CUSTOMS OFFICIALS. APPARENTLY, DEAL FELL THROUGH BECAUSE WORDS "MADE IN USA" WERE CAST INTO EQUIPMENT HOUSING AND THUS INERADICABLE.)

3. OTHER MAJOR SWITCH DEAL PARTNERS IN CZECHOSLOVAK TRADE ARE TURKEY AND GREECE. SOURCE FORESAW VERY LITTLE INVOLVEMENT IN SWITCH TRADING ON PART AMERICAN BUSINESSMEN BECAUSE, IN HIS WORDS, "THEY JUST DON'T UNDERSTAND IT".
WORTZEL

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